

Message Text

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NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 OMB-01 EB-04 CIEP-01 SS-15 NSC-05 COME-00 IO-04

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C O N F I D E N T I A L SECTION 1 OF 2 USNATO 5745

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: FRENCH POSITION PAPER ON CEPPC COST SHARING

REF: A. USNATO 5669

B. USNATO 5301

C. USNATO 5514

FOLLOWING IS TRANSLATION OF FRENCH POSITION PAPER DISTRIBUTED BY
AMBASSADOR DE ROSE AS PROMISED (REF A). PARAGRAPHS ARE KEYED TO
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POINTS MADE BY HARTOGH (NETHERLANDS) AT 27 SEP MEETING REPORTED
REF B.

BEGIN QUOTE. BRUSSELS, 15 OCT 74. NATO - CENTRAL EUROPE PIPELINE

SYSTEM - NEW COST-SHARING FORMULAE.

1. COMMENTS ON THE TABLE OF "FRENCH FINANCIAL ADVANTAGES" SUBMITTED BY THE NETHERLANDS REPRESENTATIVE AND EXTRACTED FROM THE ANNEX TO DOCUMENT AC/120-D/857.

- LINE A - PROFIT TAX: THIS IS THE TAX ON INDUSTRIAL AND COMMERCIAL PROFITS MADE BY NATO ON CIVIL TRANSPORTS IN FRANCE. THE AMOUNT WAS SET AT A LUMP SUM BY THE MINISTER OF FINANCE AT 10 PERCENT OF THE REVENUE.

THE FIGURES ARE CORRECT.

THEY CORRESPOND TO A REVENUE OF 199.6 MILLION FFR FOR NATO.

- LINE B - TVA: THIS IS THE TAX ON THE ADDED VALUE PAID BY THE TRAPIL COMPANY ON THE 6 PERCENT THEY RECEIVE FROM NATO AS PROFITS ON CIVIL TRANSPORTS.

- LINE C - B.I.C.: THIS IS THE TAX ON INDUSTRIAL AND COMMERCIAL PROFITS PAID BY TRAPIL, AT THE NORMAL RATE OF 50 PERCENT; IT APPEARS TO BE QUESTIONABLE TO INCLUDE HERE THE PORTION ORIGINATING FROM THE DIRECT PAYMENTS OF THE OIL COMPANIES (9.3 MILLION) WHICH IS NOT TO BE PAID BY NATO.

- FOR THE SAME REASON, THE LINE "SHARE OF FRENCH AUTHORITIES IN NET PROFIT OF TRAPIL (PLUS - 50 PERCENT)" SHOULD BE DECREASED IN THE SAME PROPORTION (4.65 MILLION).

MOREOVER, THE FRENCH GOVERNMENT ONLY OWNS DIRECTLY 29 PERCENT AND NOT 50 PERCENT OF THE CAPITAL OF TRAPIL.

- THE AMOUNTS OF THE CONTRIBUTIONS, FRENCH AS WELL AS TOTAL, ARE SLIGHTLY DIFFERENT FROM OURS. ACCORDING TO US, THE FRENCH CALLS FOR CONTRIBUTIONS CUMULATIVELY ARE OF 28.5 MILLION INSTEAD OF 25.5 MILLION AND THE TOTAL CONTRIBUTIONS PAID TO CEPS ARE 178 MILLION INSTEAD OF 158. THE DIFFERENCES RESULT FROM THE FACT
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THAT THE NETHERLANDS DOCUMENT IS BASED, SO IT APPEARS, ON THE SHORTFALL ESTIMATED BY CEOA AND NOT ON THE ACTUAL CONTRIBUTIONS.

II. FAVORABLE RESULTS FROM CIVIL TRAFFIC IN FRANCE FOR THE EIGHT.

A. REVENUE:

AS INDICATED ABOVE (I, LINE A) THE TAX FOR THE B.I.C. IS BASED ON A GROSS REVENUE FOR NATO OF 199.6 MILLION FRANCES, ORIGINATING FROM CIVIL MOVEMENTS FOR THE PERIOD 1967 TO 1974.

AFTER DEDUCTION OF 10 PERCENT OF THE TAX ON THE B.I.C., THE NET REVENUE IS 179.7 MILLION.

DURING THE SAME PERIOD, THE EXPENDITURES FOR THESE CIVIL MOVEMENTS WERE 96 MILLION.

THE CONTRIBUTIONS PAID BY THE EIGHT WERE DECREASED BY THESE 83.7 MILLION. WITHOUT THE CIVIL MOVEMENTS IN FRANCE, THEY WOULD HAVE BEEN INCREASED BY 47 PERCENT, GOING UP TO 261.7 MILLION FRANCS (179 PLUS 83.7).

B. COMPARISON OF THE OPERATIONAL BALANCES IN FRANCE WITH THOSE IN THE REST OF THE SYSTEM.

NATO DOCUMENTS (WP CAF(73)267 AND (73)335) CARRY THE BALANCE SHEET OF THE FINANCIAL OPERATIONS IN THE FRENCH PORTION OF THE SYSTEM ON THE ONE HAND, AND, ON THE OTHER HAND, OVERALL FIGURES FOR THE THREE OTHER HOST COUNTRIES, SHOWING THAT THE MAIN SOURCE OF THE EXCESS OF EXPENDITURES OVER REVENUE DOES NOT LIE IN FRANCE, BUT IN THE OTHER HOST COUNTRIES.

FOR 1971, THE DEBIT BALANCE IS 1.5 MILLION IN FRANCE AS COMPARED TO 84 MILLION FOR THE THREE OTHER HOST COUNTRIES TOGETHER.

FOR 1972 AND 1973, THE BALANCE BECOMES POSITIVE FOR FRANCE, SHOWING RESPECTIVELY 2.6 AND 5.5 MILLION.

ACCORDING TO THE PRESENT PROSPECTS, THE BALANCE IN FRANCE WOULD SHOW A DEBIT IN 1974 (- 1.3 MILLION) AND IN 1975 (-2 MILLION). IN SPITE OF OUR REQUEST, CEA HAS NOT YET COMMUNICATED CONFIDENTIAL

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OFFICIALLY THE INFORMATION ON THE NON-FRENCH PORTIONS OF THE SYSTEM, BUT THE ESTIMATE OF THEIR DEBIT BALANCE IS THE FOLLOWING: 1972: -8.4; 1973: - 16; 1974: -12.6; 1975: - 17 MILLION FRANCS.

III. COSTS FOR THE HOST COUNTRIES.

THE ESTABLISHMENT OF THE NATO PIPELINES ON FRENCH TERRITORY INVOLVES CONSTRAINTS AND COSTS FOR CARRYING OUT NUMEROUS NATIONAL CONSTRUCTION PROJECTS (EXPRESSWAYS, ROADS, CANALS, PORTS, INDUSTRIAL ZONES, HOUSING AND COMMERCIAL ZONES, ETC.) WHERE THE PIPELINES MUST BE PROTECTED OR, WHEN NECESSARY, DISPLACEMENT OF THE PIPES HAS TO BE CARRIED OUT OR THE EXECUTION OF ANTICIPATED PROJECTS MUST BE MODIFIED.

IN FRANCE, THESE EXPENDITURES, DIFFICULT TO ESTIMATE AND VARYING VERY MUCH FROM ONE YEAR TO ANOTHER, CAN BE EVALUATED AT THE MINIMUM AT SEVERAL MILLION FRANCS ANNUALLY.

FOR EXAMPLE, IN 1967, THE DEVIATION OF THE NATO PIPELINE IN A BASIN OF THE PORT OF LE HAVRE COST 2 MILLION FRANCS; CONSTRUCTION OF EXPRESSWAY A-1 IN 1970 (PARIS-BRUSSELS) INVOLVED SUPPLEMENTARY EXPENSES FOR THE GOVERNMENT OF 2.3 MILLION FRANCS; IN THE SAME YEAR,

DISPLACEMENT OF THE DOUBLE CROSSING OVER THE RHONE RIVER FOR THE NATO PIPELINE, MADE NECESSARY TO EXECUTE THE PORT INSTALLATIONS AT ARLES, COST THE NATIONAL RHONE COMPANY 3.4 MILLION FRANCS; IN 1974, THE CUTTING OFF AND PROTECTION OF THE NATO PIPELINES FOR BUILDING EXPRESSWAY A-34 (PARIS-STRASBOURG) - PRESENTLY UNDERWAY - INVOLVE A SUPPLEMENTARY EXPENDITURE OF 7 MILLION FRANCS FOR THE EXPRESSWAY COMPANY.

THIS ARGUMENT IS TRUE FOR THE FOUR HOST COUNTRIES, BUT MORE PARTICULARLY FOR FRANCE WHERE NEARLY 50 PERCENT OF NATO'S CENTRAL EUROPE PIPELINE SYSTEM IS LOCATED.

IN THIS CONNECTION, THE CONCERN FOR PROTECTING THE ENVIRONMENT, WHICH THE HOST COUNTRIES MUST HAVE TODAY, SHOULD BE POINTED OUT. THE EXPENDITURES FOR GUARDING, AIR SURVEILLANCE, FENCING, FIRE PROTECTION OR PROTECTION AGAINST LEAKAGE REPRESENT MORE THAN 20 PERCENT OF THE TOTAL EXPENDITURES.

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IV. EXPENDITURES FOR PERSONNEL.

CONTRARY TO CERTAIN STATEMENTS, THE AVERAGE LEVEL OF EXPENDITURES

FOR PERSONNEL IS NO HIGHER IN FRANCE THAN ELSEWHERE.

THE BUDGET PROPOSALS FOR 1975 PRESENTED BY CEOA BRINGS OUT - FOR PERSONNEL EXPENSES (SALARIES, VARIOUS ALLOWANCES, SOCIAL SECURITY, ETC.) AND AVERAGE ANNUAL COST PER AGENT OF 57,400 FFR FOR FRANCE AS AGAINST 44,000 IN BELGIUM, 66,600 IN GERMANY AND 69,200 IN THE NETHERLANDS.

CALCULATIONS MADE ON PREVIOUS BUDGETS GIVE SIMILAR RESULTS.
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V. VARIOUS COMMENTS.

- CEOA AND THE TWO COMMITTEES HAVE FOUND THAT THE MILITARY TARIFFS (PARTICULARLY THOSE FOR HANDLING WHICH CONCERN ESPECIALLY OUTPUTS IN GERMANY) DO NOT COVER, IN SPITE OF THE RECENT INCREASES, THE ACTUAL OPERATIONAL COSTS. HENCE, THE SYSTEM SUBSIDIZES INDIRECTLY THE LARGE USERS IN PEACETIME WHO ARE THE UNITED STATES AND GERMANY.

- IT WAS NOTED THAT THE GERMAN AUTHORITIES DID NOT GRANT FISCAL EXEMPTION FOR MOTOR GAS WHICH, BECAUSE OF THIS, COSTS 1,355 F PER M3 AS AGAINST 555 F IN FRANCE, WHICH EXPLAINS PARTLY CERTAIN DIFFICULTIES IN CARRYING OUT CIVIL MOVEMENTS.

- CONCERNING THE PERCENTAGES OF MILITARY UTILIZATION, CEOA HAS SUBMITTED DIFFERENT FIGURES ACCORDING TO THE HYPOTHESES ADOPTED (SEE TABLE - AMENDMENT TO DOCUMENT AC/120-WP/247, DISTRIBUTED DURING THE CEPPC MEETING ON 19 SEP 74).

- IT APPEARS THAT HYPOTHESIS NO. 1 - SIMILAR TO THAT ADOPTED IN 1964 - IS THE MOST LOGICAL; IT BRINGS IN THE AVERAGE BETWEEN:

- PEACETIME UTILIZATION ACCORDING TO BILLINGS, WHICH ARE MORE REPRESENTATIVE OF THE SERVICES RENDERED THAN VOLUMES, WHICH DO NOT TAKE INTO ACCOUNT EITHER DISTANCE MOVED OR HANDLING.

- WARTIME UTILIZATION FOR THE FIRST FOUR WEEKS, WHICH CORRESPONDS TO THE TOTAL REQUIREMENTS SCHEDULED BY THE NATIONS IN THE

CEPS EMERGENCY PLAN.

IF HYPOTHESIS NO. 1 IS ADOPTED, GERMAN UTILIZATION STANDS AT 24.94 PERCENT, A PERCENTAGE HIGHER THAN THE 24 PERCENT OF CONTRIBUTIONS ACCEPTED BY GERMANY; FRENCH UTILIZATION IS ONLY 16.59 PERCENT.

END TQUOTE

2. MISSION COMMENTS: NOT SURPRISINGLY, FRENCH PAPER REPEATS ALL OF THE ARGUMENTS USED BY FRENCH REP IN CEPPC FOR MAINTAINING LOW
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FRENCH SHARE, WHILE IGNORING THE FACTORS MILITATING FOR LARGER FRENCH SHARE. FRENCH PAPER IS ON WEEK GROUNDS AS FOLLOWS:

A. CONCERNING TRAPIL OWNERSHIP: - DIRECT INVESTMENT IS ONLY 29 PERCENT BUT GOF TOTAL OWNERSHIP IS REPUTED TO BE MORE THAN 50 PERCENT THROUGH THIRD PARTY (GOF AGENCIES) INVESTMENT.

B. CONCERNING REPUTED 40 PERCENT "PROFIT" ON CIVIL MOVEMENTS: - FRENCH ONLY COUNT ADDITIONAL COSTS AGAINST CIVIL MOVEMENTS RATHER THAN PROPORTIINATE COST OF TOTAL OPERATION ON THE LINE CONCERNED.

C. CONCERNING LOWER DEFICITS FOR FRENCH PORTION OF THE SYSTEM: - FRENCH TAKE CREDIT FOR FACT THAT NATO-BUILT PIPELINES IN FRANCE ARE LONGER, HAVE LARGER DIAMETERS, AND ARE COMMERCIAL ROUTES.

D. CONCERNING HOST NATION COSTS: - FRENCH PAPER DOES NOT ADDRESS HOST NATION ECONOMIC BENEFITS IN USE OF THE LINES AT CONFISCATORY RATES.

E. CONCERNING COST OF PERSONNEL: - FRENCH PAPER ADDRESSES COSTS PER WORKER AND NOT THE FACT OF EXCESSIVE NUMBERS OF OPERATING PERSONNEL AND GUARDS.

F. CONCERNING HANDLING CHARGES: - FRENCH HAVE MISINTERPRETED CEPPC FINDINGS THAT GERMAN SYSTEM REQUIRES MORE PERSONNEL BECAUSE OF GEATER HANDLING ACTIVITIES (TRUCK AND RAIL LOADING, AIRFIELD FILL, ETC.) TO MEAN THAT US AND FRG ARE BENEFICIARIES OF EXCESSIVELY LOW CHARGES. MISSION KNOWS OFNO STUDY WHICH WOULD SUPPORT FRENCH CONTENTION.

G. CONCERNING MOTOR FUEL TAXES: - FRANCE POINTS OUT FRG RECEIPTS OF FFR 1 MILLION FROM GAS TAXES APPARENTLY TO JUSTIFY 8 OR 10 TIMES THAT AMOUNT OF FRENCH TAXES. MISSION OPPOSES ALL TAXES ON CEPS.

H. FRENCH HAVE SUGGESTED ADOPTION OF USE FACTOR TABLE RESULTING IN LOWEST POSSIBLE COST TO FRANCE WHILE IGNORING FACTORS SUCH AS TAXES, GUARDING, PERSONNEL, AND TRAPIL FEES WHICH WOULD ADD 15 - 20 PERCENT TO FRENCH SHARE OF DEFICIT (PER REF C).

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3. BELGIAN CEPPC REP HAS DISTRIBUTED PAPER (PER REF A) SHOWING THAT FRENCH TAX REVENUE FOR 1975 IS ESTIMATED TO AMOUNT TO SOME 20 PERCENT OF THE PROJECTED DEFICIT.

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